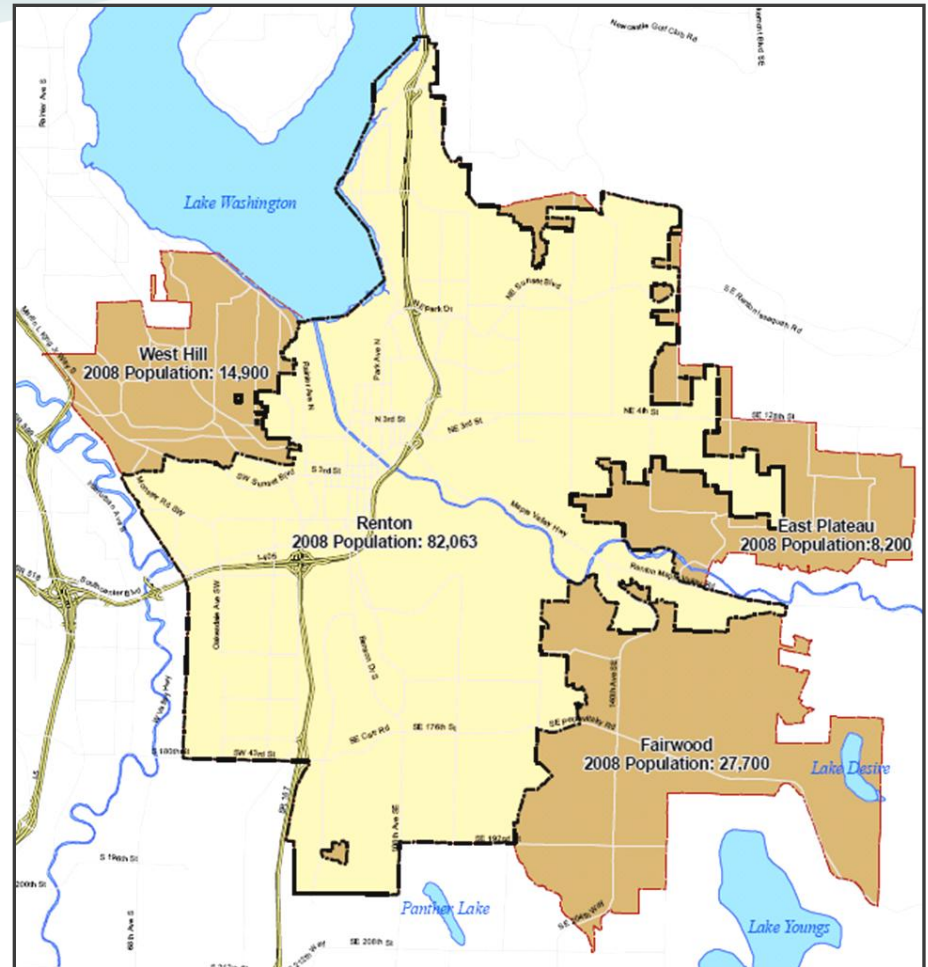


Annexation Update: Fiscal Analysis

*Committee of the
Whole*



July 2010

RENTON. AHEAD OF THE CURVE.

City of
Renton

Community & Economic Development



Annexation by Election - Process

1. 10% of voters submit petition
2. King Co. certifies petition
- * 3. City Council accepts/rejects/modifies boundary
- * 4. City sends to BRB within 180 days
5. BRB reviews proposal
- * 6. City Council asks for election – whether & when
7. Election by PAA voters
- * 8. If simple majority vote “yes,” City Council adopts annexation ordinance and sets effective date

Fairwood: Where We Are

- **October 2008: 10% Notice of Intent petition**
- **December 2008: Certified by KC Elections**
- **City of Renton action was held in abeyance**
- **Following the November 2009 failed incorporation vote, Renton City Council adopted a resolution calling for an annexation election in November 2010. (Consolidated area as one annexation)**
- **March 2010: Boundary Review Board heard and approved**
- **Through August 2010: Provide information to Fairwood area residents**

Fairwood - Assumptions

- **Fiscal Analysis**
 - Extend existing Renton services if annexed.
 - Capital needs to meet Renton standards.
 - Qualify for and use the .1% sales tax and use tax rebate.
- **Timing**
 - November 2, 2010 election
 - If voters approve – plan for July 2011 effective date
 - Phased services (up to one year)

Fairwood Fiscal Analysis

Services

- Fire/EMS: Fire District 40 contract ends (\$4.6M loss); assets transfer
- Parks options: all parks, no parks, only Boulevard Lane, Renton Park
- Police: 2 patrol districts
- Streets: Maintain 150 additional street lane miles
- Unsuccessful request for King County support:
 - Equipment costs (one-time): **\$3.7M**
 - Annual capital (parks, surface water, streets): **\$4.0M**

City General Fund (67 FTE)

<u>2012 Costs</u>	<u>2012 Revenues</u>
\$13.1	\$11.3M + \$2.2M



Net Operating Cost
\$346,000

Enterprise Funds (15.5 FTE)

<u>2012 Costs</u>	<u>2012 Revenues</u>
\$1.2M	\$0.9M



Net Enterprise Cost
(\$322,000)

Fairwood Fiscal Analysis

Fairwood PAA (July 2011)		2011	2012	2017	2022
General Fund	Expenditures (\$000)	5,734	13,164	15,824	19,022
	Subtotal Expenditures	5,734	13,164	15,824	19,022
	Resources from PAA	4,687	11,260	12,581	14,095
	State Sales Tax Credit	1,088	2,250	2,498	-
	Subtotal Revenues	5,775	13,510	15,080	14,095
	Net Resources	41	346	(744)	(4,927)
	Shortfall (% of expenditures)	1%	3%	-5%	-26%
Enterprise	Expenditures (\$000)	443	1,263	1,518	1,825
	Revenues	232	941	1,014	1,092
	Net Resources	(212)	(322)	(504)	(733)
Unfunded					
	One-time equipment/contracts	(3,751)			
	General Fund	2,988			
	Enterprise Funds	763			
	Capital program (annual)	(4,041)			
	Parks	231			
	Streets/Transportation	2,800			
	Surface Water	1,010			

Fairwood Fiscal Analysis - Operations

	Staffing	One-Time	Early	July	Full Year		
General Fund: Operating Costs	FTE	2011	2011	2011	2012	2017	2022
Police	31.00	\$435,395	\$2,451,210	\$2,451,210	\$3,964,263	\$4,765,439	\$5,728,534
Public Works (Transportation, Maintenance)	10.50	\$1,085,000		\$311,109	\$1,316,102	\$1,582,086	\$1,901,825
Fire & Emergency Services	-			\$2,262,561	\$4,904,455	\$5,895,644	\$7,087,152
Community & Economic Development	7.00	\$200,000		\$196,417	\$694,119	\$834,400	\$1,003,032
Community Services	10.50	\$999,885		\$198,270	\$1,081,328	\$1,299,864	\$1,562,567
Finance and Information Services	2.00	\$175,265		\$110,995	\$221,989	\$266,853	\$320,784
Human Resources & Risk Management	2.72	\$92,568		\$71,520	\$198,445	\$238,551	\$286,762
Executive/Legislative/Judicial	4.50	\$0		\$132,003	\$711,511	\$855,308	\$1,028,165
City Attorney	1.00	\$0		\$0	\$71,520	\$85,974	\$103,349
General Fund Operations	68.22	\$2,988,113	\$2,451,210	\$5,734,085	\$13,163,731	\$15,824,119	\$19,022,170
General Fund: Operating Revenues							
State Sales Tax credit - 2nd .01%				\$1,087,876	\$2,249,615	\$2,498,265	\$0
Property Tax				\$2,801,000	\$5,602,000	\$6,034,945	\$6,501,350
Utility Tax				\$797,333	\$2,392,000	\$2,910,234	\$3,540,744
Sales Tax				\$353,333	\$1,060,000	\$1,199,293	\$1,356,890
Sales Tax-Criminal Justice				\$175,000	\$525,000	\$593,989	\$672,044
State Shared Revenues				\$259,000	\$777,000	\$837,050	\$901,740
Gambling Tax				\$3,333	\$10,000	\$10,773	\$11,605
Permit Fees				\$134,000	\$402,000	\$433,068	\$466,537
Fines & Forfeits				\$84,040	\$252,120	\$271,605	\$292,596
Cable Franchise Fees				\$75,667	\$227,000	\$276,180	\$336,015
Recreation Fees				\$0	\$0	\$0	\$0
Business License Fees				\$4,400	\$13,200	\$14,220	\$15,319
General Fund Operating Revenues				\$5,774,983	\$13,509,935	\$15,079,622	\$14,094,842
NET OPERATING REVENUES				\$40,898	\$346,204	(\$744,497)	(\$4,927,329)

Managing the “Gap”

- Renton can manage the cost and revenue balance to be able to provide services to Fairwood if voters approve.
- **How?**
 - **Phase election and effective date**
 - **Enterprise funds: rates**
 - **One time/Transition**
 - Manage costs, phase purchases and/or staffing implementation
 - **Capital**
 - Make realistic project scoping and priorities
 - Match with grant sources
 - **Long-term: when sales tax credit expires (2022)**
 - Expect some level of economic development/revitalization
 - Debt retirement

Fairwood Outreach

Providing Information: Effects of Annexation

- GovDelivery (explore)
- Update City website (now)
- Homeowners Associations (June-July 2010)
- Answer inquiries
- Mailing – all Fairwood households (August 2010)
 - Joint with King County
 - Neutral, factual
 - Focused on services
 - Review panel
 - PDC review
- Open House (early September 2010)

West Hill: Where We Are

- 2008: 10% **Notice of Intent petition** calling for West Hill annexation by election submitted and certified
- 1/2009: Renton City Council **accepted petition**
- 6/2010: **Boundary Review Board approved annexation** (record of decision July 9, 2010)
- **Next:** City states **preference for election** within 30 days of BRB decision (by August 12, 2010)



Assumptions

- Assume **2013 effective date** if placed on ballot and approved (or **later** based on fiscal challenges)
- Renton needs **sustainable funding** for transition, operations and capital investments to annex. (Costs = revenues)
 - Consistent with Business Plan: maintain services to current residents while welcoming those who desire to become part of Renton
- Provide services at the same level of service as existing Renton.
- **Capital needs** designed to meet Renton standards
 - Phased and funded with city-wide capital needs
- Annexation would qualify for and use the .1% **sales tax credit**.
 - Can only be used for cost-revenue “gap”

Fiscal Analysis

Services

- Fire/EMS: One engine staffed 24/7 from Skyway HQ station
- Police: Redistrict patrol areas; 2 districts to serve West Hill
- Streets: Maintain 56 additional street lane miles
- Skyway and Bryn Mawr Park operations and maintenance
- *State sales tax credit would be requested for cost-revenue gap
- One-time transition (vehicle, equipment) costs: **\$2.4M**
- Annual capital (parks, surface water, streets): **\$4.7M** (no sales tax credit)
- When sales tax credit expires, annual shortfalls increase

City General Fund (77.5 FTE)

<u>2013 Costs</u>	<u>2013 Revenues</u>
\$11.1M	\$7.1M + \$2.3M*



Net Operating Cost (shortfall)
(\$1.7M)

Enterprise Funds (8 FTE)

<u>2013 Costs</u>	<u>2013 Revenues</u>
\$0.6M	\$0.4M



Net Enterprise Cost (shortfall)
(\$0.2M)

Fiscal Analysis

	West Hill PAA (Jan 2013)	2013	2018	2023
General Fund	Expenditures (\$000)	11,143	11,877	14,278
	Subtotal Expenditures	11,143	11,877	14,278
	Resources from PAA	7,112	7,892	8,781
	State Sales Tax Credit	2,326	2,576	-
	Subtotal Revenues	9,438	10,468	8,781
	Net Resources	(1,705)	(1,409)	(5,497)
	Shortfall (% of expenditures)	-15%	-12%	-39%
Enterprise	Expenditures (\$000)	681	819	984
	Revenues	481	488	496
	Net Resources	(200)	(330)	(489)
	One-time equipment/contracts	(2,842)		
	General Fund	2,432		
	Enterprise Funds	410		
	Capital program (annual)	(4,760)		
	Parks	990		
	Streets/Transportation	3,270		
	Surface Water	500		

West Hill - Operations

	Staffing	One-Time		Full Year		
General Fund: Operating Costs	FTE	2012	Late 2012	2013	2018	2023
Police	32.00	\$463,090	\$2,203,040	\$5,571,629	\$5,180,089	\$6,226,984
Public Works (Transportation, Maintenance)	11.00	\$464,000		\$1,799,681	\$2,163,397	\$2,600,619
Fire & Emergency Services	19.00	\$198,000		\$1,840,355	\$2,212,291	\$2,659,394
Community & Economic Development	2.50	\$140,000		\$253,403	\$304,615	\$366,178
Community Services	7.50	\$885,000		\$837,900	\$1,007,239	\$1,210,802
Finance and Information Services	0.50	\$281,512		\$102,355	\$123,041	\$147,907
Human Resources & Risk Management	1.50	\$0		\$236,287	\$284,041	\$341,446
Executive/Legislative/Judicial	3.50	\$0		\$376,498	\$452,588	\$544,056
City Attorney	1.00	\$0		\$124,784	\$150,003	\$180,319
General Fund Operations	77.50	\$2,431,602	\$2,203,040	\$11,142,893	\$11,877,304	\$14,277,705
General Fund: Operating Revenues						
<i>State Sales Tax credit - 3rd .01%</i>				\$2,325,984	\$2,575,711	\$0
Property Tax				\$3,306,870	\$3,562,438	\$3,837,758
Utility Tax				\$1,354,160	\$1,647,543	\$2,004,488
Sales Tax				\$192,188	\$217,443	\$246,016
Sales Tax-Criminal Justice				\$271,625	\$307,319	\$347,703
State Shared Revenues				\$397,880	\$428,630	\$461,756
Gambling Tax				\$761,250	\$820,082	\$883,462
Permit Fees				\$277,095	\$298,510	\$321,580
Fines & Forfeits				\$420,371	\$452,859	\$487,858
Cable Franchise Fees				\$119,600	\$145,512	\$177,037
Recreation Fees				\$0	\$0	\$0
Business License Fees				\$11,165	\$12,028	\$12,957
General Fund Operating Revenues				\$9,438,188	\$10,468,074	\$8,780,615
NET OPERATING REVENUES				(\$1,704,705)	(\$1,409,230)	(\$5,497,090)

West Hill Revitalization: Partnership Efforts

The Ask:

What kinds of funding support and resources can be brought to revitalize West Hill?

Ideas/Examples:

- ✓ Federal grants/appropriations
- ✓ State capital \$
- City general fund
- County general fund
- ✓ School District
- Business
- Nonprofit
- ✓ Philanthropic
- ✓ Community “sweat equity”
- ✓ Creative service delivery
- Annexation
- Family partnerships
- Grants
- Loans

Funding Options

Examples:

What funding tools have we considered to fill the operating gap?

- ✓ LID/Special assessment district
- ✓ Community facility district
- ✓ Differential utility rates
- ✓ Federal appropriations
- ✓ County general fund request
- ✓ State options
- ✓ Philanthropic
- ✓ Community “sweat equity”
- ✓ Creative service delivery
- Grants
- Loans

West Hill Election: Options

1. Do not set the West Hill annexation before voters

- Ineligible for 3rd .01% credit of state portion of sales tax
- Effectively ends annexation process for years

2. Set the West Hill annexation before voters

- Must resolve funding – how to manage “gaps”
 - Timing
 - Spring 2012 election, January 2013 effective date
 - November 2012 or Spring 2013 election, 2014 effective date
 - Conditions?
 - Accompanying bond measure
 - Differential surface water rates
- **Administration recommendation 8/2**

Discussion/Questions?